

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Adair-Casey Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2005 Election)</b>		
Robert Kreimeyer	President	2006
Barry Orness	Vice President	2007
Nita Fagan	Board Member	2005
Jim Moore	Board Member	2005
Brian Plowman	Board Member	2007
<b>Board of Education (After September 2005 Election)</b>		
Robert Kreimeyer	President	2006
Barry Orness	Vice President	2007
Nita Fagan	Board Member	2008
Tim James	Board Member	2008
Brian Plowman	Board Member	2007
<b>School Officials</b>		
James Simmelink	Superintendent	2006
Theresa Elgin	District Secretary/ Treasurer	2006
Rick Engel	Attorney	2006

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Adair-Casey Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Adair-Casey Community School District, Adair, Iowa as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adair-Casey Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2006 on our consideration of Adair-Casey Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair-Casey Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 30, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Adair-Casey Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$2,821,531 in fiscal 2005 to \$2,833,418 in fiscal 2006, while General Fund expenditures increased from \$2,747,139 in fiscal 2005 to \$2,788,884 in fiscal 2006. This resulted in an increase in the District's General Fund balance from \$410,765 in fiscal 2005 to a balance of \$455,299 in fiscal 2006, a 10.84% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in tuition and other local sources in fiscal 2006. The increase in expenditures was due primarily to an increase in instruction function.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Adair-Casey Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Adair-Casey Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Adair-Casey Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Adair-Casey Community School District Annual Financial Report**

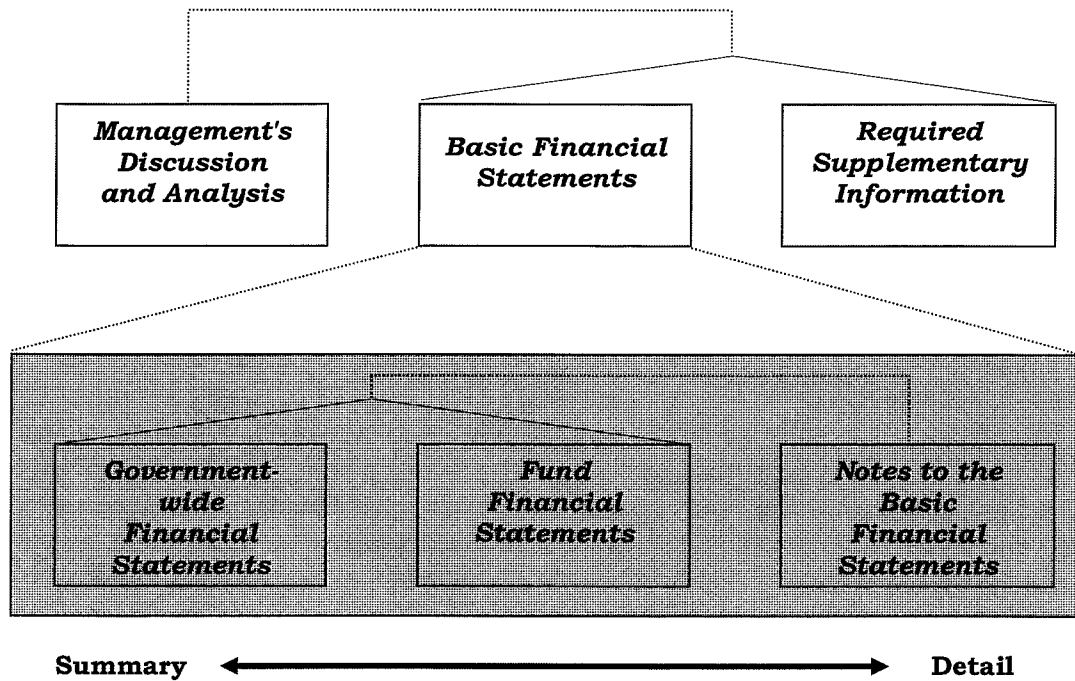


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's Internal Service Fund, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one Internal Service Fund, which accounts for the District's medical reimbursement plan.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 2,425,454	2,291,122	26,497	28,137	2,451,951	2,319,259	5.72%
Capital assets	1,381,081	1,526,069	22,010	24,818	1,403,091	1,550,887	-9.53%
Total assets	3,806,535	3,817,191	48,507	52,955	3,855,042	3,870,146	-0.39%
Long-term obligations	580,043	758,774	0	0	580,043	758,774	-23.56%
Other liabilities	1,518,411	1,522,749	1,768	1,201	1,520,179	1,523,950	-0.25%
Total liabilities	2,098,454	2,281,523	1,768	1,201	2,100,222	2,282,724	-7.99%
Net assets:							
Investment in capital assets, net of related debt	1,099,018	1,114,259	22,010	24,818	1,121,028	1,139,077	-1.58%
Restricted	369,528	221,701	0	0	369,528	221,701	66.68%
Unrestricted	239,535	199,708	24,729	26,936	264,264	226,644	16.60%
Total net assets	\$ 1,708,081	1,535,668	46,739	51,754	1,754,820	1,587,422	10.55%

The District's combined net assets increased by 10.55%, or \$167,398, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$147,827, or 66.68% over the prior year. This increase in restricted net assets was a result of the District's increase in the Capital

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$37,620, or 16.60%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 269,034	305,029	93,448	93,476	362,482	398,505	-9.04%
Operating grants and contributions and restricted interest	401,016	372,289	64,792	61,858	465,808	434,147	7.29%
Capital grants and contributions and restricted interest	1,116	5,355	0	0	1,116	5,355	-79.16%
General revenues:							
Property tax	1,310,555	1,241,970	0	0	1,310,555	1,241,970	5.52%
Local option sales and services tax	129,294	83,432	0	0	129,294	83,432	100.00%
Unrestricted state grants	1,173,595	1,191,828	0	0	1,173,595	1,191,828	-1.53%
Other	40,990	9,493	58	69	41,048	9,562	329.28%
Total revenues	3,325,600	3,209,396	158,298	155,403	3,483,898	3,364,799	3.54%
Program expenses:							
Governmental activities:							
Instructional	1,871,279	1,875,341	0	0	1,871,279	1,875,341	-0.22%
Support services	1,003,673	1,042,467	4,673	0	1,008,346	1,042,467	-3.27%
Non-instructional programs	0	0	158,640	167,374	158,640	167,374	-5.22%
Other expenses	278,235	246,866	0	0	278,235	246,866	12.71%
Total expenses	3,153,187	3,164,674	163,313	167,374	3,316,500	3,332,048	-0.47%
Change in net assets	172,413	44,722	(5,015)	(11,971)	167,398	32,751	411.12%
Beginning net assets	1,535,668	1,490,946	51,754	63,725	1,587,422	1,554,671	2.11%
Ending net assets	\$ 1,708,081	1,535,668	46,739	51,754	1,754,820	1,587,422	10.55%

In fiscal 2006, property tax, local option sales and services tax and unrestricted state grants account for 78.59% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.96% of the revenue from business-type activities.

The District's total revenues were \$3,483,898 of which \$3,325,600 was for governmental activities and \$158,298 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 3.54% increase in revenues and a .47% decrease in expenses. Property tax increased by \$68,585 to fund the expenditures. The decreases in expenses were related to decreases in negotiated salary and benefits.

### Governmental Activities

Revenues for governmental activities were \$3,325,600 and expenses were \$3,153,187.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-06	2006	2005	Change 2005-06
Instruction	\$ 1,871,279	1,875,341	-0.22%	1,302,481	1,299,767	1,299,767
Support services	1,003,673	1,042,467	-3.72%	1,003,673	1,042,467	1,042,467
Other expenses	278,235	246,866	12.71%	175,867	139,767	139,767
Totals	<u>\$ 3,153,187</u>	<u>3,164,674</u>	<u>-0.36%</u>	<u>2,482,021</u>	<u>2,482,001</u>	<u>2,482,001</u>

- The cost financed by users of the District's programs was \$269,034.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$402,132.
- The net cost of governmental activities was financed with \$1,310,555 in property tax, \$129,294 in local option sales and services tax, \$1,173,595 in unrestricted state grants, \$12,543 in interest income and \$28,447 in other general revenues.

### Business-Type Activities

Revenues of the District's business-type activities were \$158,298 and expenses were \$163,313. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Adair-Casey Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$816,380, above last year's ending fund balance of \$683,963. The primary reason for the increase in combined fund balance in fiscal 2006 is due to the increase in local option sales and services tax monies received by the District.

### Governmental Fund Highlights

- The District's General Fund balance increased from \$410,765 on June 30, 2005 to \$455,299 on June 30, 2006. The fluctuation in the District's General Fund financial position is the product of many factors. An increase in tuition and other local source revenue during the year resulted in an increase in total revenues. The increase in expenditures was due to the increases in employee's salaries and benefits. Revenues exceeded expenditures ensuring the increase in the District's financial position.
- The Management fund balance increased from \$133,331 in 2005 to \$150,853 in 2006. This resulted from an increase in local tax revenues received during the year along with a decrease in expenditures.
- The Capital Projects fund balance increased from \$39,967 in 2005 to \$125,929 in 2006. This resulted from an increase in local option sales and service tax revenues received during the year.

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## Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$51,754 at June 30, 2005 to \$46,739 at June 30, 2006, representing a decrease of 9.69%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$326,710 less than budgeted revenues, a variance of 8.59%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$1,403,091, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 10.53% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$162,643.

The original cost of the District's capital assets was \$4,523,083. Governmental funds account for \$4,429,893 with the remainder of \$93,190 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$983,866 at June 30, 2006, compared to \$1,033,315 reported at June 30, 2005. The decrease in land improvements was due to current year depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2006	2005	2006	2005	2006	2005	2004-05
Land	\$ 3,714	3,714	0	0	3,714	3,714	0.00%
Buildings	308,968	371,733	0	0	308,968	371,733	-20.31%
Land improvements	983,866	1,033,315	0	0	983,866	1,033,315	-5.03%
Machinery and equipment	84,533	117,307	22,010	24,818	106,543	142,125	-33.40%
Total	\$ 1,381,081	1,526,069	22,010	24,818	1,403,091	1,550,887	-10.53%

### Long-Term Debt

At June 30, 2006, the District had \$580,043 in long-term debt outstanding. This represents a decrease of 23.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

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The District had outstanding capital loan note payable of \$108,000 at June 30, 2006.

The District had total outstanding energy capital loan notes payable of \$472,043 at June 30, 2006.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
Capital loan note	\$ 108,000	141,000	-23.4%
Energy capital loan notes	472,043	570,585	-17.3%
Capital lease	0	41,820	-100.0%
Early Retirement	0	5,369	-100.0%
Totals	<u>\$ 580,043</u>	<u>758,774</u>	<u>-23.6%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is expected to remain in good financial health far into the future. Budgeting practices such as making sure expenditures do not exceed revenues, even during challenging years like FY 06, combined with a solid foundation of cash balance and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. However, costs outside the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Theresa Elgin, Board Secretary, Adair-Casey Community School District, 3384 Indigo Avenue, Adair, Iowa, 50002.

## BASIC FINANCIAL STATEMENTS

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 989,286	25,006	1,014,292
Receivables:			
Property tax:			
Delinquent	26,127	0	26,127
Succeeding year	1,230,666	0	1,230,666
Income surtax	95,265	0	95,265
Accounts	2,226	0	2,226
Due from other governments	81,884	0	81,884
Inventories	0	1,491	1,491
Capital assets, net of accumulated depreciation(Note 4)	1,381,081	22,010	1,403,091
<b>TOTAL ASSETS</b>	<b>3,806,535</b>	<b>48,507</b>	<b>3,855,042</b>
<b>LIABILITIES</b>			
Accounts payable	16,092	380	16,472
Salaries and benefits payable	237,721	0	237,721
Interest payable	4,602	0	4,602
Deferred revenue:			
Succeeding year property tax	1,230,666	0	1,230,666
Other	29,330	0	29,330
Unearned revenue	0	1,388	1,388
Long-term liabilities(Note 5):			
Portion due within one year:			
Capital loan notes payable	107,425	0	107,425
Portion due after one year:			
Capital loan notes payable	472,618	0	472,618
<b>TOTAL LIABILITIES</b>	<b>2,098,454</b>	<b>1,768</b>	<b>2,100,222</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	1,099,018	22,010	1,121,028
Restricted for:			
Early intervention	31,589	0	31,589
Capital projects	125,929	0	125,929
Management levy	150,853	0	150,853
Other special revenue purposes	61,157	0	61,157
Unrestricted	239,535	24,729	264,264
<b>TOTAL NET ASSETS</b>	<b>\$ 1,708,081</b>	<b>46,739</b>	<b>1,754,820</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,139,278	94,624	281,411	0	(763,243)	0
Special instruction	305,131	26,422	18,353	0	(260,356)	0
Other instruction	426,870	147,988	0	0	(278,882)	0
	1,871,279	269,034	299,764	0	(1,302,481)	0
Support services:						
Student services	10,150	0	0	0	(10,150)	0
Instructional staff services	110,732	0	0	0	(110,732)	0
Administration services	412,406	0	0	0	(412,406)	0
Operation and maintenance of plant services	277,026	0	0	0	(277,026)	0
Transportation services	193,359	0	0	0	(193,359)	0
	1,003,673	0	0	0	(1,003,673)	0
Other expenditures:						
Facilities and acquisitions	15,747	0	0	1,116	(14,631)	0
Long-term debt interest	34,175	0	0	0	(34,175)	0
AEA flowthrough	101,252	0	101,252	0	0	0
Depreciation(unallocated)*	127,061	0	0	0	(127,061)	0
	278,235	0	101,252	1,116	(175,867)	0
Total governmental activities	3,153,187	269,034	401,016	1,116	(2,482,021)	0
Business-Type activities:						
Support services:						
Administration services	552	0	0	0	0	(552)
Operation and maintenance of plant services	4,121	0	0	0	0	(4,121)
	4,673	0	0	0	0	(4,673)
Non-instructional programs:						
Food service operations	158,640	93,448	64,792	0	0	(400)
Total business-type activities	163,313	93,448	64,792	0	0	(5,073)
Total	\$ 3,316,500	362,482	465,808	1,116	(2,482,021)	(5,073)
General Revenues:						
Local tax for:						
General purposes				\$ 1,187,476	0	1,187,476
Capital outlay				123,079	0	123,079
Local option sales and services tax				129,294	0	129,294
Unrestricted state grants				1,173,595	0	1,173,595
Unrestricted investment earnings				12,543	58	12,601
Other general revenues				28,447	0	28,447
Total general revenues				2,654,434	58	2,654,492
Change in net assets				172,413	(5,015)	167,398
Net assets beginning of year				1,535,668	51,754	1,587,422
Net assets end of year				\$ 1,708,081	46,739	1,754,820

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Management	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 655,522	149,225	95,364	89,071	989,182
Receivables:					
Property tax:					
Delinquent	23,100	1,628	0	1,399	26,127
Succeeding year	1,077,541	75,000	0	78,125	1,230,666
Income surtax	45,044	0	0	50,221	95,265
Accounts	2,226	0	0	0	2,226
Due from other governments	50,203	0	30,565	1,116	81,884
<b>Total assets</b>	<b>\$ 1,853,636</b>	<b>225,853</b>	<b>125,929</b>	<b>219,932</b>	<b>2,425,350</b>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ 8,701	0	0	7,287	15,988
Salaries and benefits payable	237,721	0	0	0	237,721
Deferred revenue:					
Succeeding year property tax	1,077,541	75,000	0	78,125	1,230,666
Income surtax	45,044	0	0	50,221	95,265
Other	29,330	0	0	0	29,330
<b>Total liabilities</b>	<b>1,398,337</b>	<b>75,000</b>	<b>0</b>	<b>135,633</b>	<b>1,608,970</b>
<b>Fund balances:</b>					
Reserved for:					
Early intervention	31,589	0	0	0	31,589
Unreserved:					
General	423,710	0	0	0	423,710
Management	0	150,853	0	0	150,853
Capital Projects	0	0	125,929	0	125,929
Physical plant and equipment levy	0	0	0	23,142	23,142
Other special revenue purposes	0	0	0	61,157	61,157
<b>Total fund balances</b>	<b>455,299</b>	<b>150,853</b>	<b>125,929</b>	<b>84,299</b>	<b>816,380</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,853,636</b>	<b>225,853</b>	<b>125,929</b>	<b>219,932</b>	<b>2,425,350</b>

SEE NOTES TO BASIC FINANCIAL S

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 816,380
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,381,081
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	95,265
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,602)
Long-term liabilities, including capital loan notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(580,043)
Net assets of governmental activities (page 13)	\$ <u>1,708,081</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	General	Management	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,107,715	74,894	129,294	123,079	1,434,982
Tuition	101,970	0	0	0	101,970
Other	65,110	3,647	194	155,091	224,042
Intermediate sources	980	0	0	0	980
State sources	1,419,573	0	0	0	1,419,573
Federal sources	137,104	0	0	1,116	138,220
Total revenues	2,832,452	78,541	129,488	279,286	3,319,767
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,138,208	5,369	0	0	1,143,577
Special instruction	305,131	0	0	0	305,131
Other instruction	270,824	0	0	156,046	426,870
	1,714,163	5,369	0	156,046	1,875,578
Support services:					
Student services	10,150	0	0	0	10,150
Instructional staff services	110,732	0	0	0	110,732
Administration services	357,406	55,000	0	0	412,406
Operation and maintenance of plant services	277,026	0	0	0	277,026
Transportation services	161,005	650	0	0	161,655
	916,319	55,650	0	0	971,969
Other expenditures:					
Facilities acquisitions	0	0	0	30,594	30,594
Long-term debt:					
Principal	0	0	0	173,362	173,362
Interest and fiscal charges	0	0	0	35,561	35,561
AEA flowthrough	101,252	0	0	0	101,252
	101,252	0	0	239,517	340,769
Total expenditures	2,731,734	61,019	0	395,563	3,188,316
Excess(deficiency) of revenues over(under) expenditures	100,718	17,522	129,488	(116,277)	131,451
Other financing sources(uses):					
Transfers in	0	0	0	208,923	208,923
Transfers out	(57,150)	0	(43,526)	(108,247)	(208,923)
Compensation for loss of fixed assets	116	0	0	0	116
Sale of equipment	850	0	0	0	850
Total other financing sources(uses)	(56,184)	0	(43,526)	100,676	966
Net change in fund balances	44,534	17,522	85,962	(15,601)	132,417
Fund balance beginning of year	410,765	133,331	39,967	99,900	683,963
Fund balance end of year	\$ 455,299	150,853	125,929	84,299	816,380

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17)	\$ 132,417
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:	
Capital outlays	\$ 14,847
Depreciation expense	(159,835)
	(144,988)
Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	173,362
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	1,386
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	4,867
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Early retirement	5,369
Changes in net assets of governmental activities (page 14)	<u>\$ 172,413</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

	Business-type Activities:	
	Enterprise Fund	Governmental Activities:
	School	Internal
	Nutrition	Service Fund
ASSETS		
Cash and pooled investments	\$ 25,006	104
Inventories	1,491	0
Capital assets, net of accumulated depreciation(Note 4)	22,010	0
TOTAL ASSETS	48,507	104
LIABILITIES		
Accounts payable	380	104
Unearned revenue	1,388	0
TOTAL LIABILITIES	1,768	104
NET ASSETS		
Investment in capital assets, net of related debt	22,010	0
Unrestricted	24,729	0
TOTAL NET ASSETS	\$ 46,739	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	Business-type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 93,448	15,520
Total operating revenues	93,448	15,520
Operating expenses:		
Support services:		
Administration services:		
Services	0	15,520
Other	552	0
Operation and maintenance of plant services:		
Services	4,121	0
	4,673	15,520
Non-instructional programs:		
Food service operations:		
Salaries	58,136	0
Benefits	13,252	0
Supplies	84,250	0
Depreciation	2,808	0
Other	194	0
	158,640	0
Total operating expenses	163,313	15,520
Operating loss	(69,865)	0
Non-operating revenues:		
State sources	2,020	0
Federal sources	62,772	0
Interest income	58	0
Total non-operating revenues	64,850	0
Change in net assets	(5,015)	0
Net assets beginning of year	51,754	0
Net assets end of year	\$ 46,739	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	Business-type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 91,385	0
Cash received from miscellaneous	2,363	15,520
Cash payments to employees for services	(71,388)	0
Cash payments to suppliers for goods or services	(80,645)	(15,674)
Net cash used in operating activities	(58,285)	(154)
Cash flows from non-capital financing activities:		
State grants received	2,020	0
Federal grants received	55,883	0
Net cash provided by non-capital financing activities	57,903	0
Cash flows from investing activities:		
Interest on investments	58	0
Net cash provided by investing activities	58	0
Net decrease in cash and cash equivalents	(324)	(154)
Cash and cash equivalents at beginning of year	25,330	258
Cash and cash equivalents at end of year	\$ 25,006	104
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (69,865)	0
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	6,889	0
Depreciation	2,808	0
Decrease in inventories	1,258	0
Decrease in accounts receivable	58	0
Increase(decrease) in accounts payable	325	(154)
Increase in deferred revenue	242	0
Net cash used in operating activities	\$ (58,285)	(154)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 25,006	104

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received  
Federal commodities valued at \$6,889.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.



ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 180,521
Total assets	<u>180,521</u>
Liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 180,521</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2006

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 5,974
Total additions	<u>5,974</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>1,000</u>
Change in net assets	4,974
Net assets beginning of year	<u>175,547</u>
Net assets end of year	<u><u>\$ 180,521</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(1) **Summary of Significant Accounting Policies**

The Adair-Casey Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Adair and Casey, Iowa, and the predominate agricultural territory in Adair, Guthrie and Audubon Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Adair-Casey Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Adair-Casey Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adair, Guthrie and Audubon Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

*Investment in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Fund is utilized to account for the payment of property insurance, early retirement benefits and unemployment benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical reimbursement plan. The Internal

Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is The Private Purpose Trust Fund.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements

issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	5-20 years
Machinery and equipment	3-15 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the

current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.



At June 30, 2006, the District had investments in certificates of deposits as follows:

	Fair Value
Certificates of deposit	\$ 205,493

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months or receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

### (3) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 57,150
Debt Service	Special Revenue, Physical plant and Equipment Levy	108,247
Debt Service	Capital Projects	43,526
Total		\$ 208,923

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 93,190	0	0	93,190
Less accumulated depreciation	68,372	2,808	0	71,180
Business-type activities capital assets, net	\$ 24,818	(2,808)	0	22,010

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,714	0	0	3,714
Total capital assets not being depreciated	3,714	0	0	3,714
Capital assets being depreciated:				
Buildings	1,472,664	0	0	1,472,664
Land improvements	2,400,680	14,847	0	2,415,527
Machinery and equipment	537,988	0	0	537,988
Total capital assets being depreciated	4,411,332	14,847	0	4,426,179
Less accumulated depreciation for:				
Buildings	1,100,931	62,765	0	1,163,696
Land improvements	1,367,365	64,296	0	1,431,661
Machinery and equipment	420,681	32,774	0	453,455
Total accumulated depreciation	2,888,977	159,835	0	3,048,812
Total capital assets being depreciated, net	1,522,355	(144,988)	0	1,377,367
Governmental activities capital assets, net	\$ 1,526,069	(144,988)	0	1,381,081

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,070
Support services:	
Transportation	31,704
	32,774
Unallocated depreciation	127,061
Total governmental activities depreciation expense	\$ 159,835
Business-type activities:	
Food services	\$ 2,808
Total business-type activities depreciation expense	\$ 2,808

#### (5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan note	\$ 141,000	0	33,000	108,000	34,500
Energy Capital loan notes	570,585	0	98,542	472,043	72,925
Capital lease	41,820	0	41,820	0	0
Early retirement	5,369	0	5,369	0	0
Total	\$ 758,774	0	178,731	580,043	107,425

#### Capital Loan Note Payable

Details of the District's June 30, 2006 capital loan note indebtedness paid from the Special Revenue, Physical Plant and Equipment Levy Fund is as follows:

Year Ending June 30,	Interest Rates	Capital Loan Note		
		Principal	Interest	Total
2007	4.25 %	\$ 34,500	3,857	38,357
2008	4.25	36,000	2,359	38,359
2009	4.25	37,500	797	38,297
Total		\$ 108,000	7,013	115,013

#### Energy Capital Loan Notes Payable

The District issued \$525,000 of energy capital loan notes during the year ended June 30, 2000. Details of the District's June 30, 2006 energy capital loan note indebtedness which is paid from the Special Revenue, Physical Plant and Equipment Levy Fund is as follows:

Year Ending June 30,	Interest Rates	Energy Capital Loan Note		
		Principal	Interest	Total
2007	5.71 %	\$ 56,651	13,309	69,960
2008	5.71	59,928	10,028	69,956
2009	5.71	63,398	6,558	69,956
2010	5.71	67,066	2,886	69,952
Total		\$ 247,043	32,781	279,824

The District issued \$450,000 of energy capital loan notes during the year ended June 30, 2002. Details of the District's June 30, 2006 energy capital loan note indebtedness which is paid from the General Fund.

Year Ending June 30,	Energy Capital Loan Note			
	Interest Rates	Principal	Interest	Total
2007	4.50 %	\$ 45,000	10,125	55,125
2008	4.50	45,000	8,100	53,100
2009	4.50	45,000	6,075	51,075
2010	4.50	45,000	4,050	49,050
2011	4.50	45,000	2,025	47,025
Total		\$ 225,000	30,375	255,375
Total Energy Capital				
Loan Notes		\$ 472,043	63,156	535,199

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$99,319, \$96,399 and \$94,644 respectively, equal to the required contributions for each year.

**(7) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2006 were \$286,915.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

Adair-Casey Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial

insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$101,252 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual	Actual			Variance -
						Positive
						(Negative)
Revenues:						
Local sources	\$ 1,760,994	93,506	1,854,500	1,975,754	1,975,754	(121,254)
Intermediate sources	980	0	980	500	500	480
State sources	1,419,573	2,020	1,421,593	1,610,221	1,610,221	(188,628)
Federal sources	138,220	62,772	200,992	218,300	218,300	(17,308)
Total revenues	3,319,767	158,298	3,478,065	3,804,775	3,804,775	(326,710)
Expenditures:						
Instruction	1,875,578	0	1,875,578	2,309,728	2,309,728	434,150
Support services	971,969	4,673	976,642	1,276,800	1,276,800	300,158
Non-instructional programs	0	158,640	158,640	221,003	221,003	62,363
Other expenditures	340,769	0	340,769	498,389	498,389	157,620
Total expenditures	3,188,316	163,313	3,351,629	4,305,920	4,305,920	954,291
Excess(deficiency) of revenues over(under) expenditures	131,451	(5,015)	126,436	(501,145)	(501,145)	627,581
Other financing sources, net	966	0	966	2,000	2,000	(1,034)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	132,417	(5,015)	127,402	(499,145)	(499,145)	626,547
Balance beginning of year	683,963	51,754	735,717	916,804	916,804	(181,087)
Balance end of year	\$ 816,380	46,739	863,119	417,659	417,659	445,460

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.



OTHER SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2006

	Nonmajor Special Revenue Funds		
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
ASSETS			
Cash and pooled investments	\$ 64,487	24,584	89,071
Receivables:			
Property tax:			
Current year delinquent	0	1,399	1,399
Succeeding year	0	78,125	78,125
Income surtax	0	50,221	50,221
Due from other governments	0	1,116	1,116
TOTAL ASSETS	\$ 64,487	155,445	219,932
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 3,330	3,957	7,287
Deferred revenue:			
Succeeding year property tax	0	78,125	78,125
Income surtax	0	50,221	50,221
	3,330	132,303	135,633
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	61,157	23,142	84,299
Total fund balances	61,157	23,142	84,299
TOTAL LIABILITIES AND FUND EQUITY	\$ 64,487	155,445	219,932

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	Nonmajor Special Revenue Funds			Total
	Physical	Total		Other
	Plant and	Special		Nonmajor
	Equipment	Revenue	Debt	Governmental
	Levy	Funds	Service	Funds
Student Activity				
Revenues:				
Local sources:				
Local tax	\$ 0	123,079	123,079	0
Other	154,919	172	155,091	0
Federal sources	0	1,116	1,116	0
Total revenues	154,919	124,367	279,286	0
Expenditures:				
Current:				
Instruction:				
Other instruction	156,046	0	156,046	0
Other expenditures:				
Facilities acquisitions	0	30,594	30,594	0
Long-term debt:				
Principal	0	0	0	173,366
Interest and fiscal charges	0	0	0	35,557
Total expenditures	156,046	30,594	186,640	208,923
Excess(deficiency) of revenues over(under) expenditures	(1,127)	93,773	92,646	(208,923)
Other financing sources(uses):				
Transfer in	0	0	0	208,923
Transfer out	0	(108,247)	(108,247)	0
Total other financing sources(uses)	0	(108,247)	(108,247)	208,923
Net change in fund balances	(1,127)	(14,474)	(15,601)	0
Fund balance beginning of year	62,284	37,616	99,900	0
Fund balance end of year	\$ 61,157	23,142	84,299	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 0	4,720	4,720	0
After Prom	960	12,309	12,114	1,155
Athletics	41,239	50,415	51,786	39,868
Band	85	156	103	138
Cheerleading Basketball	1,082	143	562	663
Cheerleading Football	238	937	755	420
Class of 2005	45	10	55	0
Class of 2006	669	20,365	20,780	254
Class of 2007	0	12,964	10,521	2,443
Class of 2008	0	111	111	0
Class of 2009	7	0	0	7
Class of 2010	1	0	0	1
Drama/SP	1,869	1,019	1,017	1,871
Drill Team	250	4,066	2,026	2,290
FFA	7,663	31,583	31,336	7,910
FFA-Video	1,745	8,579	8,826	1,498
Music Boosters	5,535	1,694	5,698	1,531
National Honor Society	748	344	271	821
Science	2	0	0	2
Student Council	62	5,374	5,234	202
Vocal	84	130	131	83
Total	\$ 62,284	154,919	156,046	61,157

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2006	2005	2004	2003
Revenues:					
Local sources:					
Local tax	\$	1,434,982	1,364,342	1,351,824	1,332,226
Tuition		101,970	98,993	93,516	74,174
Other		224,042	213,518	242,979	240,077
Intermediate sources		980	156	137	1,797
State sources		1,419,573	1,427,746	1,357,496	1,448,916
Federal sources		138,220	141,726	112,424	123,686
Total	\$	3,319,767	3,246,481	3,158,376	3,220,876
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	1,143,577	1,177,728	1,201,522	1,221,771
Special instruction		305,131	303,304	320,905	277,734
Other instruction		426,870	403,458	328,684	330,590
Support services:					
Student services		10,150	32,459	53,200	52,198
Instructional staff services		110,732	86,793	74,319	81,842
Administration services		412,406	374,093	371,583	361,919
Operation and maintenance of plant services		277,026	316,897	292,847	252,309
Transportation services		161,655	186,545	274,015	176,807
Non-instructional programs		0	0	0	156
Other expenditures:					
Facilities acquisitions		30,594	8,881	36,516	0
Long-term debt:					
Principal		173,362	167,295	123,344	134,294
Interest		35,561	43,524	46,291	52,869
AEA flow-through		101,252	101,744	102,656	111,246
Total	\$	3,188,316	3,202,721	3,225,882	3,053,735

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of the  
Adair-Casey Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Adair-Casey Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 30, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adair-Casey Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair-Casey Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Adair-Casey Community School District and other parties to whom Adair-Casey Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Adair-Casey Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Nolte, Cornman & Johnson PC*  
NOLTE, CORNMAN & JOHNSON, P.C.

October 30, 2006

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make the changes as the opportunity arises.

Conclusion - Response accepted.

- I-B-06 Night Event Deposits - We noted during our audit that revenue collected for night events in the Special Revenue, Student Activity Fund was taken home by a district official and not deposited in a night depository.

Recommendation - The district should review procedures in place. A better control may be obtained by having the official take the deposit to the bank and have the deposit placed in a night depository.

Response - The night event receipts are counted by two individuals and then locked in the Administration Offices overnight. The deposit is taken to the bank the following business day.

Conclusion - Response accepted.

- I-C-06 Grants - We noted during our audit that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will review the coding of purchase orders and bills to ensure that those bills relating to a specific grant or project are coded properly.

Conclusion - Response accepted.



ADAIR-CASEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District expenditures for the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - Business transactions between the District and District Officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Barry Orness, Board Member Substitute Bus Driver	Services	\$938

According to Chapter 279.A of the Code of Iowa, the transactions with Barry Orness do not appear to represent a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.